



USAID
FROM THE AMERICAN PEOPLE

AFGHANISTAN

Economic Growth

Fall 2009



Photo: USAID/Amy Koller

USAID helps women entrepreneurs advocate for their needs through business associations like the Afghan Women's Business Federation. These members enjoyed brisk sales at the AWBF Spring Expo.

ECONOMIC GROWTH SNAPSHOT

- Facilitated \$1.5 billion in telecom investment, creating 85,000 jobs.
- USAID-funded financial institutions disbursed \$123 million in loans (49 percent to women), creating 226,024 jobs.
- Reorganized 21 provincial deed offices and registered more than 6.5 million legal documents, which represent 86 percent of all property records.
- Modernized 41 of 162 provincial branches of Da Afghanistan Bank in 21 provinces.

Data as of October 2009

U.S. Agency for International Development
www.usaid.gov

BACKGROUND

Poverty is widespread and deeply entrenched in Afghanistan after decades of war and under-investment. In some provinces, the poverty rate is as high as 90 percent. From 2003 to 2008, economic growth was more than 10 percent, but fell with the economic slowdown in 2009 to 3.4 percent. The high poverty rate, poor security, and slow growth rate challenge Afghans to double their efforts to establish an economy that welcomes the trade and investment required to generate jobs. USAID's economic growth program assists the Government of the Islamic Republic of Afghanistan in developing sound economic governance and works with the private sector to stimulate investment and business opportunities. USAID is a partner, supporting Afghans, in establishing an economy that welcomes investment, generates sustainable employment, and expands markets.

PROGRAM OVERVIEW TRADE AND INVESTMENT

USAID helps the Afghan Government and private sector to realize the advantages of greater regional and global trade linkages and export-oriented business development through assistance in three categories: 1) trade policy liberalization and WTO accession; 2) trade facilitation and customs reform; and 3) public outreach on trade-related issues. USAID assistance helped Afghanistan adopt World Customs Organization standards, incorporate a harmonized tariff system, and implement reforms at all 13 customs houses and border posts. This reform promoted transparency, reduced barriers, and increased customs revenue.

ECONOMIC REFORMS TO ENHANCE COMPETITIVENESS

USAID helps to strengthen institutional capacity, promote a transparent operating environment, and establish a sustainable financial sector. In 2009, Afghanistan was the only country in South Asia to improve its ranking in the World Bank's *Doing Business Report*. Improvements to doing business have resulted in more than \$1.5 billion in telecom investment and created more than 85,000 jobs in the sector since 2003. Looking forward, USAID will focus on growth sectors such as energy and mining, which have significant investment and employment opportunities.

LAND TITLING

Property rights are a complex issue for all Afghans, but especially for the 3.5 million refugees returning after decades of conflict. USAID helped ensure the clear transfer and documentation of land ownership for 1.5 million Afghan citizens in informal settlements around Kabul, Mazari Sharif, Kunduz, and Taluqan. Program activities also supported the National Land Policy, approved by the cabinet of ministers in 2007;

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Economic Growth (continued)



Photo: USAID/Afghanistan

Afghan carpets on display at a carpet exhibition in Germany, where the best modern carpet design award was presented to an Afghan supported by USAID.



Photo: USAID/Afghanistan

Hidden in the rugged mountains of the Hindu Kush and the Pamir, Afghan marble and stone is an emerging industry that can boost employment and income while bringing unique treasures to consumers worldwide.

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helped to streamline land registry offices in 21 provinces, involving more than 6.5 million legal documents (86 percent of the total); and established a land survey/mapping curriculum at the Kabul Polytechnic University. Cooperation with the Supreme Court streamlined the registration of immovable property from 34 steps to just three and four for urban and rural land, respectively.

FINANCIAL SERVICES

USAID expands access to financial services and supports a dynamic private sector foundation for a sustainable rural finance. By September 2009, USAID-funded credit unions, microfinance institutions, and banks disbursed \$123 million in loans (49 percent of which went to women), and created 226,024 jobs throughout the country.

CENTRAL BANK REFORM

USAID supports Da Afghanistan Bank (DAB) to build a sound financial system. Developing the licensing process and a new banking law led to the establishment of 17 private banks, a first in the history of Afghanistan, and promoted the restructuring and eventual privatization of three state-owned banks. USAID assisted the central bank to fulfill Ministry of Finance requirements by consolidating government accounts across all DAB provincial branches, which was accomplished through regular transfers of government revenue to a single account. USAID assisted 41 of DAB's 162 provincial branches to modernize and enhance branch operations through improvements to account management, communications, and automated payment.

STRENGTHENING BUSINESS ASSOCIATIONS

USAID support for business associations resulted in the establishment of Afghan Chamber of Commerce and Industry (ACCI) offices in Kandahar, Mazari Sharif, Hirat, Kunduz, and Jalalabad, and built the capacity of provincial and local business associations. USAID support to the Afghan Women's Business Federation helped to consolidate 90 women-run business associations and SMEs that provide training and business development services to approximately 28,000 women entrepreneurs.

DEVELOPING THE PRIVATE SECTOR

To overcome the severe constraints to investment – security, electricity, and basic services – USAID supported the development of industrial parks in Kabul and Mazari Sharif, and is in the process of developing additional sites. USAID also provides assistance in the areas including business development services and management skills, market information, and public-private alliances grants. Thus far, alliance grants of \$4 million served to leverage \$15 million in private investment in the areas of marble mining, television programming, and light manufacturing.

On behalf of the American people, the U.S. government has provided humanitarian assistance and economic development to those in need around the world since the Marshall Plan.